

§ 399.43

[PS-54, 38 FR 24643, Sept. 10, 1973, as amended by PS-99, 45 FR 82625, Dec. 16, 1980]

§ 399.43 Treatment of leased aircraft.

In determining the appropriate treatment of leased aircraft for ratemaking purposes, it is the Board's policy to recognize actual rental expenses. In unusual circumstances where the leased aircraft value (determined on a constructive depreciated basis) in relation to net book value of owned aircraft operated by the same air carrier is significantly in excess of the ratio for the aggregate of the domestic trunklines and local service carriers (computed on the same basis), a reasonable profit element may be added which shall reflect the additional risks of operations with the leased aircraft, to the extent that such risks are not compensated by the return on investment. Such profit element would be determined by applying the standard rate of return, less 6 percentage points, to the value of the leased aircraft, on a constructive depreciated basis, to the extent the ratio

14 CFR Ch. II (1-1-01 Edition)

of such value to depreciated cost of owned aircraft plus the value of leased aircraft exceeds the average for the domestic air carriers. Rental cost plus allowable profit, if any, will not be recognized in amounts exceeding depreciation plus return on investment computed as if the aircraft had been purchased by the carrier.

[PS-44, 36 FR 7229, Apr. 16, 1971]

§ 399.44 Treatment of deferred Federal income taxes for rate purposes.

For rate-making purposes other than the determination of subsidy under section 406(b), it is the policy of the Board that Federal income tax expense should be based on the normal taxes that would be paid under the depreciation standards used for rate making, and that accumulated reserves for deferred taxes should be excluded from the recognized capitalization for rate-base purposes.

[PS-46, 36 FR 7232, Apr. 16, 1971]

EXAMPLE OF SIFL ADJUSTMENT

[Methodology for determining change in operating expense per available seat-mile]
[See footnotes at end of table]

Year ended September 1979	Trunks	Locals	Trunks plus locals	Total passenger/cargo ¹⁶
Total operating expense ¹ (millions)	\$16,455	\$2,522	\$18,977	\$19,384
Less:				
All-cargo expenses ²	269	.....	269	269
Belly offset ³	952	153	1,105	1,153
Nonscheduled ⁴	141	46	187	205
Transport related ⁵	379	31	410	416
Plus: Capitalized lease adjustment ¹⁰	119	2	121	121
Passenger operating expense	14,833	2,294	17,127	17,462
Passenger fuel cost ¹¹ .....	.....	.....	4,103	N.A.
Scheduled service ASM's (mils.)	281,671	33,051	314,722	318,459
Passenger nonfuel operating expense per ASM (dollars) .....	.....	.....	.04138	N.A.
Passenger fuel expense per ASM (dollars) .....	.....	.....	.01304	N.A.
Total passenger expense per ASM (dollars) .....	.....	.....	.05442	.05483
Year ended September 1978				
Total operating expense ¹ (millions)	14,081	2,033	16,114	16,448
Less:				
All-cargo expenses ²	282	.....	282	282
Belly offset ³	869	152	1,021	1,065
Nonscheduled ⁴	193	53	246	256
Transport related ⁵	419	30	449	454
Plus: Capitalized lease adjustment ¹⁰	78	1	79	79
Passenger operating expense	12,396	1,799	14,195	14,470
Passenger fuel cost ¹¹ .....	.....	.....	3,129	N.A.
Scheduled service ASM's (mils.)	262,068	27,067	289,135	292,255
Passenger nonfuel operating expense per ASM (dollars) .....	.....	.....	.03827	N.A.
Passenger fuel expense per ASM (dollars) .....	.....	.....	.01082	N.A.
Total passenger expense per ASM (dollars) .....	.....	.....	.04909	.04951